

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

LeRoy Koppendraye
Marshall Johnson
Ken Nickolai
Phyllis A. Reha

Chair
Commissioner
Commissioner
Commissioner

In the Matter of DOC/TAM's FY 2005
Proposed Budget and Surcharge
Recommendation

ISSUE DATE: June 29, 2004

DOCKET NO. P999/CI-04-600

ORDER APPROVING THE PROPOSED
BUDGET AND DECREASING THE
SURCHARGE

PROCEDURAL HISTORY

On April 5, 2004, the Commission accepted DOC/TAM's 2003 annual report in Docket No. P-999/CI-03-1940. The report showed revenues of \$10.4 million in FY 2003 and projected revenues of \$10.2 million in FY 2004. TAM's financial report showed a projected fund balance of \$3.2 million as of June 30, 2004.

On May 13, 2004, DOC/TAM filed its FY 2005 Budget and Surcharge recommendations. DOC/TAM recommended that the surcharge amount be reduced to \$.10 per month for each wired and wireless telephone subscriber line in Minnesota.

This matter came before the Commission on June 24, 2004.

FINDINGS AND CONCLUSIONS

I. Background

In 1987 the Minnesota Legislature passed legislation creating the Telecommunications Access for Communication Impaired Persons (TACIP) Board for the purpose of making the telephone network in Minnesota accessible to communication impaired persons. Since 1995, the DOC has had responsibility for administration of the program. Effective August 1, 2002, the TACIP program name was changed to Telecommunications Access Minnesota (TAM). The TAM program is funded by a monthly surcharge on all access lines, currently at 13 cents per wired and wireless telephone access line.

Two programs were established to make the telephone network accessible to communication impaired persons: the Telephone Equipment Distribution (TED) Program, and the Minnesota Relay Service (MRS).

The TED program provides the specialized telecommunications equipment required for eligible deaf, hard-of-hearing, speech-impaired and mobility-impaired persons to have access to the telecommunications network. Minnesota Relay Service, on the other hand, allows communication between a person using a telephone device for the deaf/teletypewriter (TTD/TTY) and any other telephone user.

Communication Services for the Deaf (CSD) provides the Minnesota Relay Service management. Sprint Communications Company (Sprint) provides the facilities and access to its telecommunications network.

II. FY 2005 Budget Proposal

DOC/TAM proposed a budget of \$8,566,860 for FY 2005.¹ This represents an overall increase in expenditures totaling \$1,218,062 or 16.1 percent.

The major changes include a decrease of \$67,250 in TAM administration, a decrease of \$41,027 in the TED contract and an increase of about \$1.18 million in MRS. The increase in MRS includes an increase of \$1.98 million for captioned telephone (CapTel) service and a \$0.800 million reduction for traditional MRS.

The main components of the FY 2005 Budget, with comparative figures for the previous year, are:

	<u>FY 2005 Proposal</u>	<u>FY 2004 Proj Actual</u>	<u>FY 2004 Proposal</u>	<u>Increase in Budgeted Amts</u>
TAM Administration -	\$ 156,600	\$ 245,435	\$ 223,850	-\$ 67,250
TED -	\$ 1,621,865	\$ 1,571,517	\$ 1,662,892	-\$ 41,027
MRS -	\$ 6,479,665	\$ 4,702,000	\$ 5,300,000	\$ 1,179,665
Consumer Relations -	\$ 308,730	\$ 250,000	\$ 280,956	\$ 27,774
Captioned Telephone Trial	\$ 0	\$ 94,322	\$ 81,100	-\$ 81,100
Total	\$ 8,566,860	\$ 6,863,274	\$ 7,548,798	\$ 1,018,062

III. The Surcharge Proposal

¹ In addition, DOC/TAM's filing shows a \$200,000 cash advance to the TED program, to be returned and credited to the TAM dedicated account at the beginning of each fiscal year.

DOC/TAM recommended that the surcharge amount be decreased to \$0.10 per month for each wired and wireless telephone subscriber line in the state.

For FY 2004, DOC/TAM estimated total revenues of \$6.987 million based on line counts of 4,479 million lines, at a surcharge of 13 cents per month. The actual number of lines was over 5.1 million and total revenues were over \$8 million. DOC/TAM indicated an expected carry-over fund balance of \$4.879 million at the beginning of FY 2005.

For FY 2005, DOC/TAM projects line counts of 5.179 million lines, which would yield total revenues of approximately \$6.215 million at a surcharge of 10 cents per month.² DOC/TAM estimated a fund balance of approximately \$2.571 at the end of FY 2005.

DOC/TAM did not recommend a greater decrease in the surcharge for each wired and wireless telephone subscriber in the state because of a concern about the unpredictability of the growth of the CapTel services.

In FY 2004 DOC/TAM contracted with Sprint Communications Company for the provision of CapTel services on a full time basis. Projected costs for FY 2005 associated with the provision of CapTel service, outreach and phones distributed through the TED program were estimated to be up to or less than \$2,300,600.³ DOC/TAM indicated that it was difficult to predict what the demand will be for this new type of relay service, since the program was just in the beginning stages.

IV. Commission Action

The Commission has reviewed DOC/TAM's FY 2005 budget and finds it reasonable and will approve it.

The Commission has reviewed DOC/TAM's recommendation to reduce the monthly surcharge for each wired and wireless subscriber line in the state from 13 cents to 10 cents and finds it reasonable and will approve it. The recommendation was based on an increase in the actual number of lines in FY 2004, which resulted in an increase in total revenues for FY 2004 and will result in an expected carry-over balance of over \$4.5 million. These factors will enable DOC/TAM to meet its budget with the lower monthly surcharge.

Further, The Commission agrees with DOC/TAM that due to the uncertainties in predicting the amount of participation in the CapTel service, decreasing the monthly surcharge to below 10 cents per subscriber line at this time would not be reasonable.

² DOC/TAM also expects interest income of \$44,100.

³ The 2005 FY projected cost for CapTel service is \$1,979,665.

ORDER

1. The Commission approves DOC/TAM's budget proposed for FY 2005 and DOC/TAM's proposal to decrease the surcharge from 13 cents to 10 cents per month.
2. All affected service providers shall implement the surcharge change effective October 1, 2004.
3. Local exchange carriers shall file revised tariffs reflecting the change in the surcharge.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Burl W. Haar
Executive Secretary

(S E A L)

This document can be made available in alternative formats (i.e., large print or audio tape) by calling (651) 297-4596 (voice), or 1-800-627-3529 (MN relay service).